



RICHARD G. RHODA
Executive Director

STATE OF TENNESSEE
HIGHER EDUCATION COMMISSION
PARKWAY TOWERS, SUITE 1900
NASHVILLE, TENNESSEE 37243-0830
(615) 741-3605
FAX: (615) 741-6230

PHIL BREDESEN
Governor

Comments to the Senate Education Committee

David L. Wright
Associate Executive Director for Policy, Planning, & Research
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(Updated February 1, 2008)

Tennessee Education Lottery Scholarship History

<u>Year</u>	<u>Students</u>	<u>\$</u>	<u>Eligible</u>	<u>Data Source</u>
2004-05	40,000	\$ 93 million	Frosh/Soph	TSAC Actual
2005-06	56,000	\$136 million	Frosh/Soph/Jr	TSAC Actual
2006-07	67,000	\$191 million	Frosh/Soph/Jr/Sr	TSAC Actual
2007-08	78,000	\$233 million	Frosh/Soph/Jr/Sr/Sr	TSAC/THEC estimate

Lottery for Education, FY 2006-2007 through 2008-2009 (in millions; revised December 2007)

	Actual FY07	Revised FY08	Estimated FY09
1. Lottery Scholarship Estimate	\$ 192	\$ 233	\$ 238
TSAC Need-Based Grants (TSAA)	-	10	-
Pre-K Program	24	25	25
Administration and Other	3	4	4
Local Government Account	3	3	3
Total	<u>\$ 221</u>	<u>\$ 275</u>	<u>\$ 270</u>
2. Net Lottery Proceeds	\$ 272	\$ 279	\$ 286
Interest Earnings	19	21	21
Total Revenues	<u>\$ 291</u>	<u>\$ 300</u>	<u>\$ 307</u>
3. Excess Current Revenue	69	25	37
4. Shortfall Reserve	50	50	50
Unobligated Lottery Reserve at Year-End	385	410	447

Source: Department of Finance & Administration, 1/2/2008

Higher Education Perspectives on Lottery Scholarship Issues

- Representatives of THEC, TBR, UT, TICUA, TSAC, and the Tennessee Association of Student Financial Aid Administrators met periodically through summer and fall 2007 for a series of informal discussions on existing proposals.
- The group sought to evaluate each proposal and arrive at the most workable approach were the proposal to be enacted. Did not reach consensus on all issues.
- A summary document provides issue background, current policy, existing legislative proposals, higher education's consensus as to the best approach, estimated costs for policy shifts, and additional students served. (Visit www.state.tn.us/thec and click on "Lottery Scholarship Reports")

Lottery Scholarship: Program Expansion Issues

Issue		Estim. Cost (fully implemented)	Students Served
<i>Need-based aid</i>	TSAA Supplement	\$10 million	5,000
	Retain need-based portion of Aspire award with satisfactory academic progress	\$11 million	7,330
<i>Non-traditional students</i>	Expand program qualifications	\$3.2 million*	1,900*
<i>Community college</i>	19 composite ACT or 3.0 HS GPA qualification	\$14.9 million (award amount \$2,500)	4,280 new students 8,640 existing HOPE students
	Free tuition and fees for low-income adults	\$4 million	16,708 students
<i>Retention GPA</i>	Move to 2.75	\$17.5 million*	4,160*
	Move to 2.75, fund at ¾ of total award	\$13.1 million*	4,160*
<i>Fast-track</i>	Allow summer hours to be paid by HOPE, accelerate time to 120 hours	\$8.7 million	6,000
<i>Early commitment scholarship program</i>	Costs dependent on program scope and design	\$16.5 million (pilot serving 3 large school districts, 4 smaller districts)	41,000
<i>Dual enrollment</i>	Allow 6 courses or 18 college credits	\$2.4 million	3,300

Note: Shading indicates a recommendation from the April 2007 report of the THEC Lottery Scholarship Committee (A C Wharton Committee).

*Updated February 1, 2008

Lottery Scholarship: Program Maintenance Issues

<i>HOPE Foster Care</i>	Define "Gift Aid" and "Cost of Attendance"	\$50,000	35
<i>Military Dependents</i>	Define "home of record"	\$840,000	400

Tennessee Student Assistance Award (TSAA)

TSAA History

Year	Students Awarded	Total Funding Awarded	Eligible Students Not Awarded	Total Unfunded Awards	Percent of Eligible Students Awarded
2004-05	23,000	\$42.6 million	55,200	\$94.9 million	29%
2005-06	18,700	\$38.4 million	61,500	\$115.1 million	23%
2006-07	19,900	\$42.5 million	62,000	\$121.7 million	24%

In April 2007 THEC endorsed the Wharton Committee's recommendation that interest earned on the lottery reserve account should be dedicated to supplementing legislative appropriations to the need-based Tennessee Student Assistance Award (TSAA).

By dedicating the current lottery reserve as an interest-bearing account for TSAA:

- State need-based grant aid would increase by \$20 million annually.
- Serving an additional 10,000 students annually.
- Over a ten year period, a cumulative \$200 million would serve an additional 100,000 students.
- The \$400 million reserve would remain intact.

Profile of 2006-07 TSAA Recipients

- Income
 - 90 percent family income under \$30,000
 - 51 percent family income under \$12,000
- Race
 - 52 percent White
 - 35 percent African-American
 - 3 percent Other (includes American Indian, Asian/Pacific Islander, Hispanic)
 - 10 percent no response
- Gender
 - 71 percent female
 - 28 percent male

Comparison of TSAA and Lottery Scholarship Populations

- Approximately 28 percent of TSAA recipients also qualify for a lottery scholarship. Less than ten percent of scholarship recipients also receive TSAA.
- Approximately 37 percent of TSAA recipients are age 25 and older.
- Approximately 47 percent of TSAA recipients are first-generation college students.
- Approximately 40 percent non-white, compared to 13 percent for the lottery scholarship.
- Most lottery scholarship recipients (70 percent) come from families earning more than \$30,000, whereas almost all TSAA recipients (90 percent) come from families earning less than that amount.
- Approximately one-fourth of TSAA recipients had a "C" average or less in high school, compared to less than ten percent for lottery scholarship recipients.